

In 2 years, back to 9% growth: PM's council

WORRY Prices still high, some sops may be withdrawn in coming budget

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NEW DELHI: The N-word is back. The country's economy is turning around faster than expected and will bounce back to a nine per cent trajectory in less than two years, the Prime Minister's Economic Advisory Council said on Friday.

The economy will grow at 8.2 per cent next year and at least 9 per cent the year after, the Council said in its latest 'Review of the Economy'.

The latest forecast has rekindled the debate about a phased withdrawal of the fiscal stimulus package announced last year to counter the global slowdown. Economic growth had slowed down to 6.7 per cent in 2008-09, after rising close to 9 per cent for four straight years.

"We have to strike a balance between growth and fiscal deficit," said C. Rangarajan, head of the council, in an oblique reference to the fiscal sops that had left a gaping hole in the government's finances.

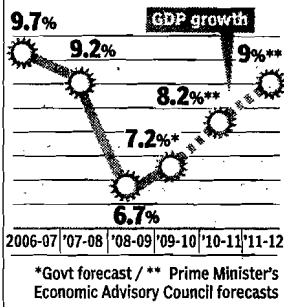
Prices, however, remain a major concern for the government, stung by a supply crunch in staple items that has pushed food inflation to nearly 18 per cent. Reaching the 9 per cent mark would mean tackling

food inflation.

"There is the danger of significant transfer of food price

FORECAST: SUNNY

After the slowdown slump, GDP set for healthy growth



inflation to the general price level in 2010-11," Rangarajan said.

The global recovery is pushing up prices of commodities such as crude oil, iron ore and coal, compounding the inflation problem in India. Controlling inflation could mean slowing the economy somewhat, either by rolling back stimulus or hiking interest rates or both, raising questions over the economy reaching the 9 per cent mark.

"Partially, we need to roll back (stimulus)," M. Govind Rao, council member, said.

Economists expect Finance Minister Pranab Mukherjee to announce some stimulus withdrawal measures in Budget 2010-11, which will be presented on February 26.